

Congressman Dave Obey
Opening Remarks as Prepared

The Need for an Economic Recovery Bill
House Appropriations Committee
Full Committee Hearing
December 11, 2008

“These are very difficult times for the American people. The U.S. lost almost 2 million jobs in the last year. Growth in population and labor force mean unemployment has expanded by even more - 3.1 million. One in eight persons in the labor force is either unemployed or underemployed.

“These trends are accelerating. In just the last three months, we have lost one and a quarter million jobs. At that rate, we will lose five million jobs in a year.

“Economic forecasts made before last Friday's shocking jobs report predicted: GDP will drop 4.1% this quarter; the economy will continue to shrink through the middle of next year; and the unemployment rate will hit 8.1% by the end of next year. Unfortunately, economic forecasters have a consistent track record of being overly optimistic around recessions.

“Before it's over, this recession seems destined to become the worst since the early 1980s, if not the 1930s. Even many conservative economists - who normally advise Congress to leave it to the Federal Reserve to respond to the recession - are now advising Congress to shore up the economy with more spending.

“Federal government spending appears to be about the “only game in town” to provide lift to the economy. Consumption is declining because paychecks are not keeping up with inflation, while values of homes and other assets decline. Business investment is shrinking as credit tightens and sales prospects dim. Our major export markets have also fallen into recession. With falling revenues, almost every state government is also being forced to cut back spending to satisfy balanced budget requirements.

“The Rockefeller Institute of Government recently found that states' revenues for the last quarter were up by an average of only 0.1 percent over the last year. In the face of the five percent inflation we've had in the last year, that's a hefty drop in real revenues.

“As the economy shrinks, we can anticipate more large reductions in real revenues in the coming two years. Falling revenues force states either to cut important or to raise taxes.

“State spending largely goes to fund education and health care. According to the Center on Budget and Policy Priorities, the economic downturn has already forced the states to cut back spending by almost \$50 billion in the current fiscal year: 17 states to cut back health care for low income children and families; 15 states to cut back programs for the elderly and disabled; 16 states to cut back K-12 and early childhood education; and 21 states to cut back support for public colleges and universities.

“The fiscal outlook is changing rapidly as governors and state legislatures gear up for their 2009 sessions. The Center on Budget and Policy Priorities now estimates that: states will face a budget gap of \$100 billion in each of the next two years; the gap is roughly 15 percent of the state operating budgets; and only a handful of states will be spared the need to close large budget gaps.

“If states raise taxes and cut important investments it would add substantially to the downward momentum of the U.S. economy.

“These trends all have a human dimension. Losing a job and not being able to find a new one undermines the dignity of unemployed workers and puts a financial strain on the whole family. Even more people will lose health insurance and postpone needed medical care for themselves and their families.

"The number of people receiving Supplemental Nutritional Assistance Program - "SNAP" the new name for food stamps - has soared by 4.7 million to 31.6 million in the last twelve months. That's more than one in ten Americans.

"The Center on Budget notes that credible economic forecasters warn that unemployment could reach 9 percent if government does not take forceful action. If that happens, another 7-1/2 million people will be forced into poverty. The number living below half the poverty line would rise by at least 4-1/2 million.

"We must make every reasonable effort to prevent things from getting that bad. The downward momentum appears too strong to end the recession anytime soon. But a well-designed economic recovery program could help slow it."